

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 SAA-02 L-03 FRB-03
OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01
STR-07 TRSE-00 CEA-01 SS-15 PA-01 /101 W
-----018070 050244Z /62

R 031015Z JUL 78

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9953

INFO AMEMBASSY NEW DELHI

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: UNCTAD, ETRD, BG

SUBJECT: BDG VIEWS ON UNCTAD RAW JUTE STABILIZATION PROPOSAL

REF: STATE 131760

SUMMARY. MINISTER FOR JUTE SHAFIUL AZAM TOLD AMBASSADOR DURING CALL JUNE 30 THAT BANGLADESH IS SKEPTICAL ABOUT THE UNCTAD SECRETARIAT'S DRAFT RAW JUTE STABILIZATION PROPOSAL. HE SAID STABILIZATION IS NOT AN IMMEDIATE ISSUE, IN VIEW OF CURRENT SHORTAGES, BUT IN THE LONG RUN BANGLADESH IS INTERESTED IN BUILDING UP DOMESTIC STOCKS TO STABILIZE PRICES AND WANTS FOREIGN AID TO FINANCE STOCKS. AT PRESENT BDG IS KEENLY INTERESTED IN AID FROM CONSUMER NATIONS FOR JUTE RESEARCH AND DEVELOPMENT AND FOR MARKET PROMOTION. EMBASSY SHARES DEPARTMENT'S VIEWS THAT UNCTAD DRAFT SCHEME IS IMPRACTICAL. AZAM'S COMMENTS INDICATE BDG MAY NOT SUPPORT IT. END SUMMARY.

1. IN RESPONSE TO THE AMBASSADOR'S QUESTION ABOUT THE BDG'S VIEWS ON THE DRAFT UNCTAD SECRETARIAT PROPOSAL FOR LIMITED OFFICIAL USE

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AN INTERNATIONAL RAW JUTE STABILIZATION SCHEME, AZAM SAID BANGLADESH HAS LONG BEEN INTERESTED IN RAW JUTE STABILIZATION, BUT SINCE SUPPLIES HAVE BEEN SHORT AND PRICES HIGH IN RECENT YEARS THE PROBLEM OF STABILIZATION IS NOT OF IMMEDIATE IMPORTANCE.

2. HE SAID THE BDG IS STUDYING THE UNCTAD SCHEME FOR A

750,000-BALE STABILIZATION RESERVE THAT WOULD BE INTERNATIONALLY MANAGED AND FINANCED. BUT SINCE BANGLADESH IS THE WORLD'S LARGEST SUPPLIER OF RAW JUTE, THE BDG HAS DOUBTS ABOUT SUBMITTING TO AN INTERNATIONAL SCHEME THAT WOULD ENTAIL SUPERVISION AND CONTROL BY OTHERS. THE BDG WOULD PREFER A DOMESTIC BUFFER STOCK THAT IT WOULD CONTROL ITSELF.

3. IN RESPONSE TO THE AMBASSADOR'S OBSERVATION THAT THE RAW JUTE STOCK TO BE HELD UNDER THE UNCTAD SCHEME WOULD NOT BE AVAILABLE TO BANGLADESH'S JUTE MILLS IN TIMES OF NEED SINCE IT WOULD BE DESIGNED ONLY FOR EXPORT AT TIMES OF HIGH PRICES, AZAM SAID HE THOUGHT THIS WAS ANOTHER DISADVANTAGE OF THE UNCTAD SCHEME.

4. HOWEVER, IN THE LONG RUN, AZAM SAID, WHEN BANGLADESH REALIZES ITS GOAL OF INCREASING JUTE PRODUCTION TO NINE MILLION BALES, THE PROBLEM OF TEMPORARY EXCESS SUPPLY COULD REAPPEAR AND IT WOULD BE DESIRABLE FOR BANGLADESH TO ACQUIRE A DOMESTIC RESERVE FOR STABILIZATION PURPOSES. FINANCING SUCH A STOCK WOULD BE A PROBLEM, GIVEN BANGLADESH'S VERY LIMITED RESOURCES, AND THE BDG WOULD LIKE INTERNATIONAL ASSISTANCE, PERHAPS IN THE FORM OF A REVOLVING CREDIT. HE SAID HE THOUGHT THE IMF BUFFER STOCK CREDIT FACILITY WOULD NOT BE AVAILABLE TO BANGLADESH FOR THAT PURPOSE. AZAM ALSO MENTIONED, IN LIMITED OFFICIAL USE

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THIS CONNECTION, THE NORTH-SOUTH DIALOGUE, DECLINING TERMS OF TRADE FOR RAW MATERIAL PRODUCERS AND THE NEEDS FOR ASSISTANCE IN THE COMMODITY FIELD FROM THE INDUSTRIAL NATIONS.

5. THE AMBASSADOR OBSERVED THAT THE U.S. WAS INTERESTED IN IMPROVING WORLD COMMODITY TRADE AND IN CASES WHERE IT WAS PRACTICAL, COMMODITY STABILIZATION. NEVERTHELESS THE U.S. BELIEVES IN EXAMINING COMMODITIES ON A CASE-BY-CASE BASIS AND IT HAS QUESTIONS ABOUT THE FEASIBILITY OF RAW JUTE STABILIZATION; IN ANY CASE THE FUTURE OF JUTE REQUIRES MAINTAINING COMPETITIVE PRICES. HE SUGGESTED, AS AN ALTERNATIVE TO A BUFFER STOCK FOR PRICE STABILIZATION PURPOSES, MORE ACCURATE CROP PLANNING AND FORECASTING.

6. AZAM SAID THAT IN ADDITION TO ITS GENERAL INTEREST IN STABILIZATION, BANGLADESH IS KEENLY INTERESTED IN IMPROVING THE MARKET FOR JUTE AND JUTE GOODS THROUGH MORE INTENSIVE RESEARCH AND DEVELOPMENT. HE THOUGHT MANY NEW USES FOR JUTE COULD BE DEVELOPED; FOR EXAMPLE, BUILDING INSULATION AND JUTE/PLASTIC PRODUCTS. BUT

BANGLADESH NEEDS TECHNICAL AND FINANCIAL ASSISTANCE FOR THIS FROM CONSUMER NATIONS. MARKET PROMOTION WAS ANOTHER AREA IN WHICH CONSUMER NATIONS COULD HELP, HE SAID.

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7. TURNING TO THE CURRENT JUTE SITUATION IN BANGLADESH, AZAM PREDICTED A SEVEN MILLION- BALE CROP THIS YEAR, THANKS TO THE SUCCESS OF THE GOVERNMENT'S JUTE INTENSIFICATION SCHEME WHICH NOW COVERS ALMOST A MILLION ACRES. HE SAID THAT WITH LINE SOWING, PROPER WEEDING, FERTILIZER AND HIGH YIELD SEEDS, PRODUCTION CAN BE INCREASED FROM THREE TO 4-5 BALES AN ACRE. EVENTUALLY PRODUCTION COULD REACH NINE MILLION BALES WITHOUT ADDITIONAL ACREAGE.

8. SHAFIUL AZAM IS THE BDG'S MOST SENIOR AND INFLUENTIAL OFFICIAL IN THE JUTE SECTOR. HIS SKEPTICAL COMMENTS ABOUT THE UNCTAD SCHEME SUGGEST THAT THE BDG IS NOT YET PREPARED TO SUBMIT TO AN INTERNATIONAL REGIME FOR RAW JUTE AND THAT WHAT IT REALLY WANTS IN FINANCIAL ASSISTANCE FOR A DOMESTIC BUFFER STOCK, WHEN AND IF THIS IS NEEDED. EMBASSY SHARES DEPARTMENT'S DOUBTS THAT THE UNCTAD PROPOSAL COULD WORK. EVEN IF THERE WERE AN EXCESS SUPPLY OF RAW JUTE THAT WOULD MAKE POSSIBLE ACQUISITION OF A BUFFER STOCK, A WORKABLE SYSTEM THAT WOULD BE ACCEPTABLE TO THE BDG WOULD HAVE TO BE INTEGRATED WITH LIMITED OFFICIAL USE

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RESERVES FOR BANGLADESH'S JUTE INDUSTRY WHOSE NEED FOR JUTE HAS FIRST PRIORITY. AZAM'S PREDICTION OF A SEVEN MILLION-BALE CROP THIS YEAR IS QUITE OPTIMISTIC. OUR GUESS IS THAT THE CROP WILL BE CLOSER TO SIX MILLION BALES, BUT SINCE THE BDG HAS NO SYSTEM OF ACCURATE PLANNING AND FORECASTING JUTE HARVESTS OR MEASURING ACREAGE, ALL ESTIMATES ARE SPECULATIVE. THE LACK OF SUCH A SYSTEM IS ONE REASON FOR THE DISORDER AND UNCERTAINTY IN THE RAW JUTE MARKET IN RECENT YEARS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JUTE, NEGOTIATIONS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DACCA04157
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780275-0474
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197807100/aaaadguz.tel
Line Count: 185
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7e44c06a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 131760
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1848283
Secure: OPEN
Status: NATIVE
Subject: BDG VIEWS ON UNCTAD RAW JUTE STABILIZATION PROPOSAL
TAGS: ETRD, BG, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7e44c06a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014